

SECOND REGULAR SESSION  
SENATE COMMITTEE SUBSTITUTE FOR  
HOUSE COMMITTEE SUBSTITUTE FOR  
**HOUSE BILL NO. 1336**  
97TH GENERAL ASSEMBLY

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Reported from the Committee on Small Business, Insurance and Industry, May 1, 2014, with recommendation that the Senate Committee Substitute do pass.

4862S.04C

TERRY L. SPIELER, Secretary.

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**AN ACT**

To repeal sections 382.010, 382.020, 382.040, 382.050, 382.060, 382.080, 382.095, 382.110, 382.170, 382.180, 382.190, 382.195, 382.220, and 382.230, RSMo, and to enact in lieu thereof twenty-eight new sections relating to regulating the business of insurance, with penalty provisions.

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*Be it enacted by the General Assembly of the State of Missouri, as follows:*

Section A. Sections 382.010, 382.020, 382.040, 382.050, 382.060, 382.080, 2 382.095, 382.110, 382.170, 382.180, 382.190, 382.195, 382.220, and 382.230, 3 RSMo, are repealed and twenty-eight new sections enacted in lieu thereof, to be 4 known as sections 382.010, 382.020, 382.040, 382.050, 382.060, 382.080, 382.095, 5 382.110, 382.170, 382.175, 382.180, 382.190, 382.195, 382.220, 382.225, 382.230, 6 382.277, 382.500, 382.505, 382.510, 382.515, 382.520, 382.525, 382.530, 382.535, 7 382.540, 382.545, and 382.550, to read as follows:

382.010. As used in sections 382.010 to 382.300, the following words and 2 terms have the meanings indicated unless the context clearly requires otherwise:

3 (1) An "affiliate" of, or person "affiliated" with, a specific person, is a 4 person that directly, or indirectly through one or more intermediaries, controls, 5 or is controlled by, or is under common control with, the person specified;

6 (2) The term "control", including the terms "controlling", "controlled by" 7 and "under common control with", means the possession, direct or indirect, of the 8 power to direct or cause the direction of the management and policies of a person, 9 whether through the ownership of voting securities, by contract other than a 10 commercial contract for goods or nonmanagement services, or otherwise, unless

**EXPLANATION—Matter enclosed in bold-faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law.**

11 the power is the result of an official position with or corporate office held by the  
12 person. Control shall be presumed to exist if any person, directly or indirectly,  
13 owns, controls, holds with power to vote, or holds proxies representing, ten  
14 percent or more of the voting securities of any other person. This presumption  
15 may be rebutted by a showing made in the manner provided by section 382.170  
16 that control does not exist in fact. The director may determine, after furnishing  
17 all persons in interest notice and opportunity to be heard and making specific  
18 findings of fact to support such determination, that control exists in fact,  
19 notwithstanding the absence of a presumption to that effect;

20 (3) The term "director" means the director of the department of insurance,  
21 financial institutions and professional registration, his deputies, or the  
22 department of insurance, financial institutions and professional registration, as  
23 appropriate;

24 (4) **"Enterprise risk" means any activity, circumstance, event, or**  
25 **series of events involving one or more affiliates of an insurer that, if**  
26 **not remedied promptly, is likely to have a material adverse effect upon**  
27 **the financial condition or liquidity of the insurer or its insurance**  
28 **holding company system as a whole, including, but not limited to,**  
29 **anything that would cause the insurer's risk-based capital to fall into**  
30 **company action level as set forth in section 375.1255 or would cause the**  
31 **insurer to be in hazardous financial condition as set forth in section**  
32 **375.539;**

33 (5) An "insurance holding company system" consists of two or more  
34 affiliated persons, one or more of which is an insurer;

35 [(5)] (6) The term "insurer" means an insurance company as defined in  
36 section 375.012, including a reciprocal or interinsurance exchange, and which is  
37 qualified and licensed by the department of insurance, financial institutions and  
38 professional registration of Missouri to transact the business of insurance in this  
39 state; but it shall not include any company organized and doing business under  
40 chapters 377, 378 or 380, **agencies, authorities, or instrumentalities of the**  
41 **United States, its possessions and territories, the Commonwealth of**  
42 **Puerto Rico, the District of Columbia, or a state or political subdivision**  
43 **of a state;**

44 [(6)] (7) A "person" is an individual, corporation, **limited liability**  
45 **company**, partnership, association, joint stock company, [business] trust,  
46 unincorporated organization, or any similar entity, or any combination of the

47 foregoing acting in concert, but [is not any securities broker performing no more  
48 than the usual and customary broker's function] **shall not include any joint**  
49 **venture partnership exclusively engaged in owning, managing, leasing,**  
50 **or developing real or tangible personal property;**

51 [(7)] (8) A "securityholder" of a specified person is one who owns any  
52 security of that person, including common stock, preferred stock, debt obligations,  
53 and any other security convertible into or evidencing the right to acquire any of  
54 the foregoing;

55 [(8)] (9) A "subsidiary" of a specified person is an affiliate controlled by  
56 that person directly, or indirectly through one or more intermediaries;

57 [(9)] (10) The term "voting security" includes any security convertible  
58 into or evidencing a right to acquire a voting security.

382.020. 1. Any domestic insurer, either by itself or in cooperation with  
2 one or more persons, may invest in, otherwise acquire or operate one or more  
3 subsidiaries engaged or registered to engage in one or more of the following  
4 businesses:

5 (1) Any kind of insurance business authorized by the laws of the state of  
6 Missouri;

7 (2) Investing, reinvesting or trading in securities for its own account, that  
8 of its parent, any subsidiary of its parent, or any affiliate or subsidiary;

9 (3) Rendering other services including, but not limited to, actuarial, loss  
10 prevention, safety engineering, marketing, data processing, accounting, claims,  
11 appraisal and collection services, if such services relate to the operations of the  
12 insurance business of the insurer; provided, however, that such services shall not  
13 include services of salvage of motor vehicles, the mechanical, body or other repair  
14 of motor vehicles and the towing or retrieval of motor vehicles;

15 (4) Ownership and management of the kinds of assets which the parent  
16 corporation could itself own or manage;

17 (5) Acting as administrative agent for a governmental instrumentality  
18 which is performing an insurance function;

19 (6) Financing of insurance premiums;

20 (7) Any other business activity determined by the director to be  
21 reasonably ancillary to the insurance business of the insurer;

22 (8) Owning a corporation or corporations engaged in or organized to  
23 engage exclusively in one or more of the businesses specified in this section;

24 (9) Acting as an insurance broker or as an insurance agent for its parent

25 or for any of its parent's insurer subsidiaries;

26 (10) Management of any investment company subject to or registered  
27 pursuant to the federal Investment Company Act of 1940, as amended, including  
28 related sales and services;

29 (11) Acting as a broker-dealer subject to or registered pursuant to the  
30 federal Securities Exchange Act of 1934, as amended; and

31 (12) Rendering investment advice to governments, government agencies,  
32 corporations or other organizations or groups.

33 2. In addition, a domestic insurance company may, if it maintains books  
34 and records which separately account for such business, engage directly in any  
35 business referred to in subdivisions (3), (4), (5), (6) and (7) of subsection 1 of this  
36 section, either to the extent necessarily or properly incidental to the insurance  
37 business the insurer is authorized to do in this state or to the extent approved by  
38 the director and subject to any limitations the director may prescribe for the  
39 protection of the interests of the policyholders of the insurer after taking into  
40 account the effect of such business on the insurer's existing insurance business  
41 and its surplus, the proposed allocation of the estimated costs of such business  
42 and the risks inherent in such business as well as the relative advantages to the  
43 insurer and its policyholders of conducting such business directly instead of  
44 through a subsidiary. Nothing in sections 382.010 to 382.300 shall be deemed to  
45 limit the powers of a domestic insurance company existing prior to September 28,  
46 1971.

47 3. In addition to investments in common stock, preferred stock, debt  
48 obligations and other securities permitted domestic insurers, a domestic insurer  
49 may also do one or more of the following:

50 (1) Invest in common stock, preferred stock, debt obligations, and other  
51 securities of one or more subsidiaries, amounts which do not exceed the lesser of  
52 **[five] ten** percent of such insurer's assets or fifty percent of such insurer's  
53 surplus as regards policyholders, if after such investments the insurer's surplus  
54 as regards policyholders will be reasonable in relation to the insurer's  
55 outstanding liabilities and adequate to its financial needs. In calculating the  
56 amount of such investment, investments in domestic or foreign insurance  
57 subsidiaries shall be excluded, and there shall be included:

58 (a) Total net moneys or other consideration expended and obligations  
59 assumed in the acquisition or formation of a subsidiary, including all  
60 organizational expenses and contributions to capital and surplus of such

61 subsidiary whether or not represented by the purchase of capital stock or  
62 issuance of other securities; and

63 (b) All amounts expended in acquiring additional common stock, preferred  
64 stock, debt obligations, and other securities and all contributions to the capital  
65 or surplus of a subsidiary subsequent to its acquisition or formation;

66 (2) With the approval of the director, invest any greater amount in  
67 common stock, preferred stock, debt obligations, or other securities of one or more  
68 subsidiaries, if after such investment the insurer's surplus as regards  
69 policyholders will be reasonable in relation to the insurer's outstanding liabilities  
70 and adequate to its financial needs;

71 (3) Invest any amount in common stock, preferred stock, debt obligations  
72 and other securities of one or more subsidiaries engaged or organized to engage  
73 exclusively in the ownership and management of assets authorized as  
74 investments for the insurer, provided that each such subsidiary agrees to limit  
75 its investments in any asset so that such investments will not cause the amount  
76 of the total investment of the insurer to exceed any of the investment limitations  
77 specified in subdivision (1) of this subsection or in other insurance laws  
78 applicable to the insurer. For the purpose of this subdivision, the total  
79 investment of the insurer shall include:

80 (a) Any direct investment by the insurer in an asset; and

81 (b) The insurer's proportionate share of any investment in an asset by any  
82 subsidiary of the insurer, which shall be calculated by multiplying the amount of  
83 the subsidiary's investment by the percentage of the ownership of such  
84 subsidiary.

85 4. Investments in common stock, preferred stock, debt obligations or other  
86 securities made pursuant to subsection 3 of this section shall be made as provided  
87 by the statutes of this state.

88 5. Whether any investment pursuant to subsections 3 and 4 of this section  
89 meets the applicable requirements thereof is to be determined immediately after  
90 such investment is made, taking into account the then outstanding principal  
91 balance on all previous investments in debt obligations, and the value of all  
92 previous investments in equity securities as of the date they are made.

382.040. 1. No person other than the issuer shall commence a tender  
2 offer for or a request or invitation for tenders of, or enter into any agreement to  
3 exchange securities for, seek to acquire, or acquire, in the open market or  
4 otherwise, any voting security of a domestic insurer if, after the consummation

5 thereof, he would, directly or indirectly, or by conversion or by exercise of any  
6 right to acquire, be in control of the insurer, and no person shall enter into an  
7 agreement to merge with or otherwise to acquire control of a domestic insurer  
8 unless, at the time the offer, request, or invitation is commenced or the  
9 agreement is entered into, or prior to the acquisition of the securities if no offer  
10 or agreement is involved, he has filed with the director and has sent to the  
11 insurer a statement containing the information required by section 382.050 and  
12 the offer, request, invitation, agreement or acquisition has been approved by the  
13 director in the manner prescribed by sections 382.010 to 382.300.

14 **2. For purposes of sections 382.040 to 382.090, any controlling**  
15 **person of a domestic insurer seeking to divest its controlling interest**  
16 **in the domestic insurer, in any manner, shall file with the director,**  
17 **with a copy to the insurer, confidential notice of its proposed**  
18 **divestiture at least thirty days prior to the cessation of control. The**  
19 **director shall determine those instances in which the party or parties**  
20 **seeking to divest or to acquire a controlling interest in an insurer, shall**  
21 **be required to file for and obtain approval of the transaction. The**  
22 **information shall remain confidential until the conclusion of the**  
23 **transaction. If the statement referred to in subsection 1 of this section**  
24 **is otherwise filed, the provisions of this subsection shall not apply.**

25 **3. With respect to a transaction subject to this section, the**  
26 **acquiring person shall file a pre-acquisition notification with the**  
27 **director, which shall contain the information set forth in subsection 3**  
28 **of section 382.095. A failure to file the notification may be subject to**  
29 **penalties specified in subsection 7 of section 382.095.**

30 **4. For purposes of this section, a domestic insurer shall include any**  
31 **person controlling a domestic insurer unless such person, as determined by the**  
32 **director, is either directly or through its affiliates primarily engaged in business**  
33 **other than the business of insurance[; however, such person shall file a**  
34 **preacquisition notification with the director containing the information set forth**  
35 **in section 382.095 thirty days prior to the proposed effective date of the**  
36 **acquisition. Any person who fails to file the preacquisition notification required**  
37 **by this section shall be subject to the penalties provided in subsection 5 of section**  
38 **382.095]. For the purposes of sections 382.040, 382.050, 382.060, 382.070,**  
39 **382.080 and 382.090, "person" shall not include any securities broker holding, in**  
40 **the usual and customary broker's function, less than twenty percent of the voting**

41 securities of an insurance company or of any person which controls an insurance  
42 company.

382.050. 1. The statement to be filed with the director shall be made  
2 under oath or affirmation and shall contain the following [information]:

3 (1) The name and address of each person hereinafter called "acquiring  
4 party" by whom or on whose behalf the merger or other acquisition of control  
5 referred to in section 382.040 is to be effected, and

6 (a) If that person is an individual, his principal occupation and all offices  
7 and positions held during the past five years, and any conviction of crimes other  
8 than minor traffic violations during the past ten years; and

9 (b) If that person is not an individual, a report of the nature of its  
10 business operations during the past five years or for such lesser period as that  
11 person and any predecessors thereof have been in existence;

12 (c) An informative description of the business intended to be done by that  
13 person and its subsidiaries; and

14 (d) A list of all individuals who are or who have been selected to become  
15 directors or executive officers of such person, or who perform or will perform  
16 functions appropriate to such positions. The list shall include for each such  
17 individual the information required by paragraph (a) of subdivision (1) of  
18 subsection 1 of this section;

19 (2) The source, nature and amount of the consideration to be used in  
20 effecting the merger or other acquisition of control, a description of any  
21 transaction wherein funds were or are to be obtained for any such purpose,  
22 including any pledge of the insurer's stock or the stock of any subsidiaries or  
23 controlling affiliates, and the identity of persons furnishing such consideration,  
24 but, where a source of the consideration is a loan made in the lender's ordinary  
25 course of business, the identity of the lender shall remain confidential, if the  
26 person filing the statement so requests;

27 (3) Fully audited financial information as to the earnings and financial  
28 condition of each acquiring party for the preceding five fiscal years of each such  
29 acquiring party, or for such lesser period as such acquiring party and any  
30 predecessors thereof shall have been in existence, and similar unaudited  
31 information as of a date not earlier than ninety days prior to the filing of the  
32 statement;

33 (4) Any plans or proposals which each acquiring party may have to  
34 liquidate the insurer, to sell its assets, to merge or consolidate it with any person,

35 or to make any other material change in its business or corporate structure or  
36 management;

37 (5) The number of shares of any security referred to in section 382.040  
38 which each acquiring party proposes to acquire;

39 (6) The terms of the proposed offer, request, invitation, agreement, or  
40 acquisition referred to in section 382.040, and a statement as to the method by  
41 which the fairness of the proposal was arrived at;

42 (7) The amount of each class of any security referred to in section 382.040  
43 which is beneficially owned or concerning which there is a right to acquire  
44 beneficial ownership by each acquiring party;

45 (8) A full description of any contracts, arrangements or understandings  
46 with respect to any security referred to in section 382.040 in which any acquiring  
47 party proposes to be or is involved, including but not limited to transfer of any  
48 of the securities, joint ventures, loan or option arrangements, puts or calls,  
49 guarantees of loans, guarantees against loss or guarantees of profits, division of  
50 losses or profits, or the giving or withholding of proxies. Such description shall  
51 identify the persons with whom such contracts, arrangements or understandings  
52 have been or will be entered into;

53 (9) A description of the purchase of any security referred to in section  
54 382.040 during the twelve calendar months preceding the filing of the statement  
55 by any acquiring party, including the dates of purchase, names of the purchasers,  
56 and consideration paid or agreed to be paid therefor;

57 (10) A description of any recommendations to purchase any security  
58 referred to in section 382.040 made during the twelve calendar months preceding  
59 the filing of the statement by any acquiring party, or by anyone based upon  
60 interviews or at the suggestion of such acquiring party;

61 (11) Copies of the form of all tender offers for, requests or invitations for  
62 tenders of, exchange offers for, and agreements to acquire or exchange any  
63 securities referred to in section 382.040, and of the form of additional soliciting  
64 material, if distributed, relating thereto;

65 (12) The terms of any agreement, contract or understanding made with  
66 or proposed to be made with any broker-dealer as to solicitation of securities  
67 referred to in section 382.040 for tender, and the amount of any fees, commissions  
68 or other compensation to be paid to broker-dealers with regard thereto; [and]

69 (13) **An agreement by the person required to file the statement**  
70 **referred to in section 382.040 that it shall provide the annual report,**

71 **specified in section 382.175, for so long as control exists;**

72 **(14) An acknowledgment by the person required to file the**  
73 **statement referred to in section 382.040 that the person and all**  
74 **subsidiaries within its control in the insurance holding company**  
75 **system shall provide information to the director upon request as**  
76 **necessary to evaluate enterprise risk to the insurer; and**

77 **(15)** Such additional information as the director may by rule or regulation  
78 prescribe as necessary or appropriate for the protection of policyholders of the  
79 insurer or in the public interest.

80 2. If the person required to file the statement referred to in section  
81 382.040 is a partnership, limited partnership, syndicate or other group, the  
82 director may require that the information called for by subdivisions (1) to [(13)]  
83 **(15)** of subsection 1 of this section shall be given with respect to each partner of  
84 such partnership or limited partnership, each member of such syndicate or group,  
85 and each person who controls such partner or member. If any such partner,  
86 member or person is a corporation or the person required to file the statement  
87 referred to in section 382.040 is a corporation, the director may require that the  
88 information called for by subdivisions (1) to [(13)] **(15)** of subsection 1 of this  
89 section shall be given with respect to the corporation, each officer and director of  
90 the corporation, and each person who is directly or indirectly the beneficial owner  
91 of more than ten percent of the outstanding voting securities of the corporation.

92 3. If any material change occurs in the facts set forth in the statement  
93 filed with the director and sent to the insurer pursuant to this section, an  
94 amendment setting forth the change, together with copies of all documents and  
95 other material relevant to the change, shall be filed with the director and shall  
96 be sent to the insurer within two business days after the person learns of the  
97 change.

98 4. If any offer, request, invitation, agreement or acquisition referred to in  
99 section 382.040 is proposed to be made by means of a registration statement  
100 under the Securities Act of 1933 or in circumstances requiring the disclosure of  
101 similar information under the Securities Exchange Act of 1934, or under a state  
102 law requiring similar registration or disclosure, the person required to file the  
103 statement referred to in section 382.040 may utilize such documents in furnishing  
104 the information called for by that statement.

382.060. 1. The director shall [hold a public hearing on the proposed]  
2 **approve any** merger or other acquisition of control referred to in section 382.040

3 [and shall thereafter approve such merger or acquisition of control] unless [he],  
4 **after a public hearing, the director** finds [by a preponderance of the  
5 evidence] that:

6 (1) After the change of control the domestic insurer referred to in section  
7 382.040 would not be able to satisfy the requirements for the issuance of a license  
8 to write the line or lines of insurance for which it is presently licensed;

9 (2) The effect of the merger or other acquisition of control would be  
10 substantially to lessen competition in insurance in this state or tend to create a  
11 monopoly therein. In applying the competitive standard in this subdivision:

12 (a) The informational requirements of subsection 3 of section 382.095 and  
13 the standards of subsection 4 of section 382.095 shall apply;

14 (b) The merger or other acquisition of control shall not be disapproved if  
15 the director finds that any of the situations meeting the criteria provided by  
16 subsection 4 of section 382.095 exist; and

17 (c) The director may condition the approval of the merger or other  
18 acquisition on the removal of the basis of disapproval within a specified period  
19 of time;

20 (3) The financial condition of any acquiring party is such as might  
21 jeopardize the financial stability of the insurer, or prejudice the interest of its  
22 policyholders;

23 (4) The plans or proposals which the acquiring party has to liquidate the  
24 insurer, to sell its assets or to consolidate or merge it with any person, or to make  
25 any other material change in its business or corporate structure or management  
26 are unfair and unreasonable to policyholders of the insurer and contrary to the  
27 public interest;

28 (5) The competence, experience or integrity of those persons who would  
29 control the operation of the insurer are such that it would be contrary to the  
30 interest of policyholders of the insurer and of the public to permit the merger or  
31 other acquisition of control; or

32 (6) The acquisition is likely to be hazardous or prejudicial to the  
33 insurance buying public.

34 2. Any disapproval made by the director shall be in writing and shall  
35 contain specific findings of fact supporting it.

36 3. The public hearing referred to above in this section shall be held within  
37 thirty days after the statement required by section 382.040 is filed, and at least  
38 twenty days' notice thereof shall be given by the director to the person filing the

39 statement. Not less than seven days' notice of the public hearing shall be given  
40 by the person filing the statement to the insurer and to such other persons and  
41 in such manner as may be designated by the director. The director shall make  
42 a determination within thirty days after the conclusion of the hearing. At the  
43 hearing, the person filing the statement, the insurer, any person to whom notice  
44 of hearing was sent, and any other person whose interests may be affected  
45 thereby shall have the right to present evidence, examine and cross-examine  
46 witnesses, and offer oral and written arguments and in connection therewith may  
47 conduct discovery proceedings in the same manner as is presently allowed in the  
48 circuit courts of this state. All discovery proceedings shall be concluded not later  
49 than three days prior to the commencement of the public hearing.

50 **4. If the proposed acquisition of control will require the approval**  
51 **of more than one state insurance commissioner, the public hearing**  
52 **referred to in subsection 3 of this section may be held on a consolidated**  
53 **basis upon request of the person filing the statement referred to in**  
54 **section 382.040. Such person shall file the statement referred to in**  
55 **section 382.040 with the National Association of Insurance**  
56 **Commissioners within five days of making the request for a public**  
57 **hearing. A state insurance commissioner may opt out of a consolidated**  
58 **hearing, and shall provide notice to the applicant of the opt-out within**  
59 **ten days of the receipt of the statement referred to in section 382.040.**  
60 **A hearing conducted on a consolidated basis shall be public and shall**  
61 **be held within the United States before the insurance commissioners**  
62 **of the states in which the insurers are domiciled. Such commissioners**  
63 **shall hear and receive evidence. A state insurance commissioner may**  
64 **attend such hearing, in person or by telecommunication.**

65 **5. In connection with a change of control of a domestic insurer,**  
66 **any determination by the director that the person acquiring control of**  
67 **the insurer shall be required to maintain or restore the capital of the**  
68 **insurer to the level required by the laws and regulations of this state**  
69 **shall be made not later than sixty days after the date of notification of**  
70 **the change in control submitted pursuant to subsection 1 of section**  
71 **382.040.**

72 **6. The director may retain at the acquiring party's expense any attorneys,**  
73 **actuaries, accountants and other experts not otherwise a part of the director's**  
74 **staff as may be reasonably necessary to assist the director in reviewing the**

75 proposed acquisition of control.

382.080. The following shall be violations of sections [382.010 to 382.300]

2 **382.040 to 382.090:**

3 (1) The failure to file any statement, amendment, or other material  
4 required to be filed pursuant to section 382.040 or 382.050; or

5 (2) The effectuation or any attempt to effectuate an acquisition of control  
6 of, **divestiture of**, or merger with, a domestic insurer covered by sections  
7 [382.010 to 382.300, within the thirty-day period referred to in section 382.060,  
8 without approval by the director or after disapproval by the director] **382.040 to**  
9 **382.090, unless the director has given approval.**

382.095. 1. As used in this section, the following terms mean:

2 (1) "Acquisition", any agreement, arrangement or activity the  
3 consummation of which results in a person acquiring directly or indirectly the  
4 control of another person, and includes but is not limited to the acquisition of  
5 voting securities, the acquisition of assets, bulk reinsurance and mergers;

6 (2) "Involved insurer" includes an insurer which either acquires or is  
7 acquired, is affiliated with an acquirer or acquired or is the result of a merger.

8 2. Except as provided in this subsection, this section applies to any  
9 acquisition in which there is a change in control of an insurer authorized to do  
10 business in this state. This section shall not apply to the following [as provided  
11 in section 382.060]:

12 (1) [An acquisition subject to approval or disapproval by the director;

13 (2)] A purchase of securities solely for investment purposes so long as  
14 such securities are not used by voting or otherwise to cause or attempt to cause  
15 the substantial lessening of competition in any insurance market in this state. If  
16 a purchase of securities results in a presumption of control under subdivision (2)  
17 of section 382.010, it is not solely for investment purposes unless the  
18 commissioner of insurance or other appropriate person of the insurer's state of  
19 domicile accepts a disclaimer of control or affirmatively finds that control does not  
20 exist and such disclaimer action or affirmative finding is communicated by such  
21 person to the director;

22 [(3)] (2) The acquisition of a person by another person when both persons  
23 are neither directly nor through affiliates primarily engaged in the business of  
24 insurance, if preacquisition notification is filed with the director in accordance  
25 with subsection 3 of this section thirty days prior to the proposed effective date  
26 of the acquisition; however, such preacquisition notification is not required for

27 exclusion from this section if the acquisition would otherwise be excluded from  
28 this section by any other subdivision of this subsection;

29       [(4)] **(3)** The acquisition of already affiliated persons;

30       [(5)] **(4)** An acquisition if, as an immediate result of the acquisition:

31       (a) In no market would the combined market share of the involved  
32 insurers exceed five percent of the total market;

33       (b) There would be no increase in any market share; or

34       (c) In no market would the combined market share of the involved  
35 insurers exceed twelve percent of the total market, and the market share of the  
36 involved insurer after the acquisition would increase by two percent of the total  
37 market or less. For the purpose of this subdivision, a "market" means direct  
38 written insurance premium in this state for a line of business as contained in the  
39 annual statement required to be filed by insurers licensed to do business in this  
40 state;

41       [(6)] **(5)** An acquisition for which a preacquisition notification would be  
42 required pursuant to this section due solely to the resulting effect on the ocean  
43 marine insurance line of business;

44       [(7)] **(6)** An acquisition of an insurer whose domiciliary commissioner or  
45 other appropriate person affirmatively finds that such insurer is in failing  
46 condition; there is a lack of feasible alternative to improving such condition; the  
47 public benefits of improving such insurer's condition through the acquisition  
48 exceed the public benefits that would arise from not lessening competition; and  
49 such findings are communicated by such person to the director.

50       3. An acquisition covered by [subdivisions (1) to (7) of] subsection 2 of this  
51 section may be subject to an order pursuant to subsection 5 of this section, unless  
52 the acquiring person files a preacquisition notification and the waiting period  
53 described in this subsection has expired. The acquired person or acquiring person  
54 may file a preacquisition notification. The director shall give confidential  
55 treatment to information submitted under this subsection. The preacquisition  
56 notification shall be in such form and contain such information as prescribed by  
57 the National Association of Insurance Commissioners relating to those markets  
58 which, under subdivision [(5)] **(4)** of subsection 2 of this section cause the  
59 acquisition not to be exempted from the provisions of this section. The director  
60 may require such additional material and information as he deems necessary to  
61 determine whether the proposed acquisition, if consummated, would violate the  
62 competitive standard of subsection 4 of this section. The required information

63 may include an opinion of an economist as to the competitive impact of the  
 64 acquisition in this state accompanied by a summary of the education and  
 65 experience of such person indicating his ability to render an informed  
 66 opinion. The waiting period required shall begin on the date of receipt by the  
 67 director of a preacquisition notification and shall end on the earlier of the  
 68 thirtieth day after the date of such receipt, or termination of the waiting period  
 69 by the director. Prior to the end of the waiting period, the director on a one-time  
 70 basis may require the submission of additional needed information relevant to the  
 71 proposed acquisition, in which event the waiting period shall end on the earlier  
 72 of the thirtieth day after receipt of such additional information by the director or  
 73 termination of the waiting period by the director.

74 4. (1) The director may enter an order under subsection 5 of this section  
 75 with respect to an acquisition if there is substantial evidence that the effect of the  
 76 acquisition may be substantially to lessen competition in any line of insurance in  
 77 this state or tend to create a monopoly therein or if the insurer fails to file  
 78 adequate information in compliance with subsection 3 of this section.

79 (2) In determining whether a proposed acquisition would violate the  
 80 competitive standard of subdivision (1) of this subsection, the director shall  
 81 consider the following:

82 (a) Any acquisition covered under subsection 2 of this section involving  
 83 two or more insurers competing in the same market is prima facie evidence of  
 84 violation of the competitive standards:

85 a. If the market is highly concentrated and the involved insurers possess  
 86 the following share of the market:

87	Insurer A	Insurer B
88	4%	4% or more
89	10%	2% or more
90	15%	1% or more; or

91 b. If the market is not highly concentrated and the involved insurers  
 92 possess the following share of the market:

93	Insurer A	Insurer B
94	5%	5% or more
95	10%	4% or more
96	15%	3% or more
97	19%	1% or more

98 A highly concentrated market is one in which the share of the four largest

99 insurers is seventy-five percent or more of the market. Percentages not shown  
100 in the tables are to be interpolated proportionately to the percentages that are  
101 shown. If more than two insurers are involved, exceeding the total of the two  
102 columns in the table is prima facie evidence of violation of the competitive  
103 standard in subdivision (1) of this subsection. For the purpose of this  
104 subdivision, the insurer with the largest share of the market shall be deemed to  
105 be insurer A;

106 (b) There is a significant trend toward increased concentration when the  
107 aggregate market share of any grouping of the largest insurers in the market,  
108 from the two largest to the eight largest, has increased by seven percent or more  
109 of the market over a period of time extending from any base year five to ten years  
110 prior to the acquisition up to the time of the acquisition. Any acquisition or  
111 merger covered under subsection 2 of this section involving two or more insurers  
112 competing in the same market is prima facie evidence of violation of the  
113 competitive standard in subdivision (1) of this subsection if:

114 a. There is a significant trend toward increased concentration in the  
115 market;

116 b. One of the insurers involved is one of the insurers in a grouping of such  
117 large insurers showing the requisite seven percent or more increase in the market  
118 share; and

119 c. Another involved insurer's market is two percent or more.

120 (3) For the purposes of subdivision (2) of this subsection:

121 (a) The term "insurer" includes any company or group of companies under  
122 common management, ownership or control;

123 (b) The term "market" means the relevant product and geographical  
124 markets. In determining the relevant product and geographical markets, the  
125 director shall give due consideration to, among other things, the definitions or  
126 guidelines, if any, promulgated by the National Association of Insurance  
127 Commissioners and to information, if any, submitted by parties to the acquisition.  
128 In the absence of sufficient information to the contrary, the relevant product  
129 market is assumed to be the direct written insurance premium for a line of  
130 business, such line being that used in the annual statement required to be filed  
131 by insurers doing business in this state, and the relevant geographical market is  
132 assumed to be this state;

133 (c) The burden of showing prima facie evidence of violation of the  
134 competitive standard rests upon the director.

135 (4) Even though an acquisition is not prima facie violative of the  
136 competitive standard under subdivision (2) of this subsection, the director may  
137 establish that the requisite anticompetitive effect exists based upon other  
138 substantial evidence. Even though an acquisition is prima facie violative of the  
139 competitive standard under subdivision (2) of this subsection, a party may  
140 establish the absence of the requisite anticompetitive effect, based upon other  
141 substantial evidence. Relevant factors in making a determination under this  
142 subdivision include, but are not limited to, the following: market shares,  
143 volatility of ranking of market leaders, number of competitors, concentration,  
144 trend of concentration in the industry, and ease of entry and exit into the market.

145 (5) An order may not be entered under subsection 5 of this section if:

146 (a) The acquisition will yield substantial economies of scale or economies  
147 in resource use that cannot be feasibly achieved in any other way, and the public  
148 benefits which would arise from such economies exceed the public benefits which  
149 would arise from not lessening competition; or

150 (b) The acquisition will substantially increase the availability of  
151 insurance, and the public benefits of such increase exceed the public benefits  
152 which would arise from not lessening competition.

153 5. If an acquisition violates the standards of this section, the director may  
154 enter an order:

155 (1) Requiring an involved insurer to cease and desist from doing business  
156 in this state with respect to the line or lines of insurance involved in the  
157 violation; or

158 (2) Denying the application of an acquired or acquiring insurer for a  
159 license to do business in this state. Such an order shall not be entered unless  
160 there is a hearing, notice of such hearing is issued prior to the end of the waiting  
161 period and not less than fifteen days prior to the hearing, and the hearing is  
162 concluded and the order is issued no later than sixty days after the end of the  
163 waiting period. Every order shall be accompanied by a written decision of the  
164 director setting forth his findings of fact and conclusions of law. An order entered  
165 under this subsection shall not become final earlier than thirty days after it is  
166 issued, during which time any involved insurer may submit a plan to remedy the  
167 anticompetitive impact of the acquisition within a reasonable time. Based upon  
168 such plan or other information, the director shall specify the conditions, if any,  
169 under the time period during which the aspects of the acquisition causing a  
170 violation of the standards of this section would be remedied and the order vacated

171 or modified. An order issued pursuant to this subsection shall not apply if the  
172 acquisition is not consummated.

173           6. Any person who violates a cease and desist order of the director under  
174 subsection 5 of this section, and while such order is in effect, may, after notice  
175 and hearing and upon order of the director, be subject at the discretion of the  
176 director to any one or more of the following:

177           (1) A monetary penalty of not more than ten thousand dollars for every  
178 day of violation; or

179           (2) Suspension or revocation of such person's license.

180           7. Any insurer or other person who fails to make any filing required by  
181 this section and who also fails to demonstrate a good faith effort to comply with  
182 any such filing requirement shall be subject to a fine of not more than fifty  
183 thousand dollars.

184           8. Sections 382.260 and 382.280 do not apply to acquisitions covered by  
185 subsection 2 of this section.

          382.110. 1. Every insurer subject to registration shall file a registration  
2 statement on a form provided by the director containing current information  
3 about:

4           (1) The capital structure, general financial condition, ownership and  
5 management of the insurer and any person controlling the insurer;

6           (2) The identity of every member of the insurance holding company  
7 system;

8           (3) The following agreements in force, relationships subsisting, and  
9 transactions currently outstanding between the insurer and its affiliates:

10           (a) Loans, other investments, or purchases, sales or exchanges of  
11 securities of the affiliates by the insurer or of the insurer by its affiliates;

12           (b) Purchases, sales, or exchanges of assets;

13           (c) Transactions not in the ordinary course of business;

14           (d) Guarantees or undertakings for the benefit of an affiliate which result  
15 in an actual contingent exposure of the insurer's assets to liability, other than  
16 insurance contracts entered into in the ordinary course of the insurer's business;

17           (e) All management and service contracts and all cost-sharing  
18 arrangements; and

19           (f) Reinsurance agreements;

20           (g) Dividends and other distributions to shareholders; and

21           (h) Consolidated tax allocation agreements;

22 (4) Any pledge of the insurer's stock, including stock of any subsidiary or  
23 controlling affiliate, for a loan made to any member of the insurance holding  
24 company system; [and]

25 (5) **Financial statements of or within an insurance holding**  
26 **company system, including all affiliates, if requested by the**  
27 **director. Financial statements may include, but are not limited to,**  
28 **annual audited financial statements filed with the United States**  
29 **Securities and Exchange Commission (SEC) pursuant to the Securities**  
30 **Act of 1933, as amended, or the Securities Exchange Act of 1934, as**  
31 **amended. An insurer required to file financial statements pursuant to**  
32 **this subdivision may satisfy the request by providing the director with**  
33 **the most recently filed parent corporation financial statements that**  
34 **have been filed with the SEC;**

35 (6) **Statements that the insurer's board of directors oversees**  
36 **corporate governance and internal controls and that the insurer's**  
37 **officers or senior management have approved, implemented, and**  
38 **continue to maintain and monitor corporate governance and internal**  
39 **control procedures;**

40 (7) **Other matters concerning transactions between registered insurers**  
41 **and any affiliates as may be included from time to time in any registration forms**  
42 **adopted or approved by the director; and**

43 (8) **Any other information required by the director by regulation.**

44 2. All registration statements shall contain a summary outlining all items  
45 in the current registration statement representing changes from the prior  
46 registration statement.

47 3. No information need be disclosed on the registration statement filed  
48 pursuant to subsection 1 of this section if such information is not material for the  
49 purposes of that subsection. Unless the director by rule, regulation or order  
50 provides otherwise, sales, purchases, exchanges, loans or extensions of credit, or  
51 investments, involving one-half of one percent or less of an insurer's admitted  
52 assets as of the thirty-first day of December next preceding shall not be deemed  
53 material for purposes of subsection 1 of this section.

54 4. Any person within an insurance holding company system subject to  
55 registration shall be required to provide complete and accurate information to an  
56 insurer, where such information is reasonably necessary to enable the insurer to  
57 comply with the provisions of sections 382.010 to 382.300.

382.170. Any person may file with the director a disclaimer of affiliation  
2 with any authorized insurer or the disclaimer may be filed by the insurer or any  
3 member of an insurance holding company system. The disclaimer shall fully  
4 disclose all material relationships and bases for affiliation between such person  
5 and such insurer as well as the basis for disclaiming such affiliation. [After a  
6 disclaimer has been filed, the insurer shall be relieved of any duty to register or  
7 report under section 382.110 which may arise out of the insurer's relationship  
8 with such person unless and until the director disallows the disclaimer. The  
9 director shall disallow the disclaimer only after furnishing all parties in interest  
10 with notice and opportunity to be heard and after making specific findings of fact  
11 to support the disallowance.] **A disclaimer of affiliation shall be deemed to**  
12 **have been granted unless the director, within thirty days following**  
13 **receipt of a complete disclaimer, notifies the filing party the disclaimer**  
14 **is disallowed. In the event of disallowance, the disclaiming party may**  
15 **request an administrative hearing, which shall be granted. The**  
16 **disclaiming party shall be relieved of its duty to register under section**  
17 **382.100 if approval of the disclaimer has been granted by the director,**  
18 **or if the disclaimer is deemed to have been approved.**

382.175. Upon request of the director, the ultimate controlling  
2 person of every insurer subject to registration shall file an annual  
3 enterprise risk report. The report shall be appropriate to the nature,  
4 scale, and complexity of the operations of the insurance holding  
5 company and shall, to the best of the ultimate controlling person's  
6 knowledge and belief, identify the material risks within the insurance  
7 holding company system, if any, that could pose enterprise risk to the  
8 insurer. The report shall be filed with the lead state insurance  
9 commissioner of the insurance holding company system as determined  
10 by procedures within the Financial Analysis Handbook adopted by the  
11 National Association of Insurance Commissioners. The first enterprise  
12 risk report shall be due and filed no later than May 1, 2015, and  
13 annually thereafter by the first day of May each year, unless the lead  
14 state insurance commissioner extends the time for filing for good cause  
15 shown.

382.180. The failure to file a registration statement or any [amendment  
2 thereto] **summary of the registration statement or enterprise risk filing**  
3 **required by sections 382.100 to 382.180** within the time specified for the

4 filing [is] **shall be** a violation of sections [382.010 to 382.300] **382.100 to**  
5 **382.180.**

382.190. Material transactions by registered insurers with their affiliates  
2 are subject to the following standards:

3 (1) The terms shall be fair and reasonable;

4 (2) Charges or fees for services shall be reasonable;

5 (3) Expenses incurred and payment received shall be allocated to the  
6 insurer in conformity with customary insurance accounting practices consistently  
7 applied;

8 (4) The books, accounts and records of each party shall be maintained so  
9 as to clearly and accurately disclose the precise nature and details of the  
10 transactions **including such accounting information as is necessary to**  
11 **support the reasonableness of the charges or fees to the respective**  
12 **parties; [and]**

13 (5) The insurer's surplus as regards policyholders following any dividends  
14 or distributions to shareholder affiliates shall be reasonable in relation to the  
15 insurer's outstanding liabilities and adequate to its financial needs; **and**

16 (6) **Agreements for cost sharing services and management shall**  
17 **include such provisions as required by rule and regulation issued by**  
18 **the director.**

382.195. 1. The following transactions involving a domestic insurer and  
2 any person in its holding company system [may], **including amendments or**  
3 **modifications of affiliate agreements previously filed pursuant to this**  
4 **section, which are subject to any materiality standards contained in**  
5 **subdivisions (1) to (7) of this subsection, shall** not be entered into unless  
6 the insurer has notified the director in writing of its intention to enter into such  
7 transaction at least thirty days prior thereto, or such shorter period as the  
8 director may permit, and the director has not disapproved it within such period:

9 (1) Sales, purchases, exchanges, loans [or], extensions of credit,  
10 [guarantees,] or investments if such transactions are equal to or exceed, with  
11 respect to nonlife insurers, the lesser of three percent of the insurer's admitted  
12 assets or twenty-five percent of surplus as regards policyholders, or with respect  
13 to life insurers, three percent of the insurer's admitted assets, each as of the  
14 thirty-first day of December of the preceding year;

15 (2) Loans or extensions of credit to any person who is not an affiliate,  
16 where the insurer makes such loans or extensions of credit with agreement or

17 understanding that the proceeds of such transactions, in whole or in substantial  
18 part, are to be used to make loans or extensions of credit to, to purchase assets  
19 of, or to make investments in, any affiliate of the insurer making such loans or  
20 extensions of credit provided such transactions are equal to or exceed, with  
21 respect to nonlife insurers, the lesser of three percent of the insurer's admitted  
22 assets or twenty-five percent of surplus as regards policyholders, or with respect  
23 to life insurers, three percent of the insurer's admitted assets; each as of the  
24 thirty-first day of December of the preceding year;

25 (3) Reinsurance agreements or modifications thereto, **including:**

26 (a) **All reinsurance pooling agreements;**

27 (b) **Agreements** in which the reinsurance premium or a change in the  
28 insurer's liabilities, **or the projected reinsurance premium or a change in**  
29 **the insurer's liabilities in any of the next three years**, equals or exceeds  
30 five percent of the insurer's surplus as regards policyholders, as of the thirty-first  
31 day of December of the preceding year, including those agreements which may  
32 require as consideration the transfer of assets from an insurer to a nonaffiliate,  
33 if an agreement or understanding exists between the insurer and nonaffiliate that  
34 any portion of such assets will be transferred to one or more affiliates of the  
35 insurer;

36 (4) All management agreements, service contracts, **tax allocation**  
37 **agreements, guarantees**, and all cost-sharing arrangements; [and]

38 (5) **Guarantees when made by a domestic insurer, provided,**  
39 **however, that a guarantee which is quantifiable as to amount is not**  
40 **subject to the notice requirements of this subsection unless it exceeds**  
41 **the lesser of one-half of one percent of the insurer's admitted assets or**  
42 **ten percent of surplus as regards policyholders as of the thirty-first day**  
43 **of December next preceding. Further, all guarantees which are not**  
44 **quantifiable as to amount are subject to the notice requirements of this**  
45 **subsection;**

46 (6) **Direct or indirect acquisitions or investments in a person**  
47 **that controls the insurer or in an affiliate of the insurer in an amount**  
48 **which, together with its present holdings in such investments, exceeds**  
49 **two and one-half percent of the insurer's surplus to**  
50 **policyholders. Direct or indirect acquisitions or investments in**  
51 **subsidiaries acquired pursuant to section 382.020, or authorized under**  
52 **any other section of this chapter, or in nonsubsidiary insurance**

53 **affiliates that are subject to the provisions of this chapter, are exempt**  
54 **from such requirement; and**

55 (7) Any material transactions, specified by regulation, which the director  
56 determines may adversely affect the interests of the insurer's policyholders.

57 **The notice for amendments or modifications shall include the reasons**  
58 **for the change and the financial impact on the domestic insurer.**

59 2. The provisions of **subsection 1** of this section shall not be deemed to  
60 authorize or permit any transactions which, in the case of an insurer not a  
61 member of the same holding company system, would be otherwise contrary to law.

62 [2.] 3. A domestic insurer [may] **shall** not enter into transactions which  
63 are part of a plan or series of like transactions with persons within the  
64 **insurance** holding company system if the purpose of those separate transactions  
65 is to avoid the statutory threshold amount and thus avoid the review that would  
66 occur otherwise. If the director determines that such separate transactions were  
67 entered into over any twelve-month period for such purpose, he may exercise his  
68 authority under section 382.265.

69 4. **In reviewing transactions pursuant to subsection 1 of this**  
70 **section, the director shall consider whether the transactions comply**  
71 **with the standards set forth in section 382.190 and whether they may**  
72 **adversely affect the interests of policyholders.**

73 5. **The director shall be notified within thirty days of any**  
74 **investment of the domestic insurer in any one corporation if the total**  
75 **investment in the corporation by the insurance holding company**  
76 **system exceeds ten percent of the corporation's voting securities.**

382.220. 1. Subject to the limitation contained in this section and in  
2 addition to all the other powers with which the director is vested by law relating  
3 to the examination of insurers, the director may [order] **examine** any insurer  
4 registered under the provisions of sections [382.010 to 382.300] **382.100 to**  
5 **382.180 and its affiliates to ascertain the financial condition of the**  
6 **insurer, including the enterprise risk to the insurer by the ultimate**  
7 **controlling party, or by any entity or combination of entities within the**  
8 **insurance holding company system, or by the insurance company**  
9 **system on a consolidated basis.**

10 2. **The director may order any insurer registered under sections**  
11 **382.100 to 382.180 to produce such records, books, or other information papers**  
12 **in the possession of the insurer or its affiliates as [shall be] are reasonably**

13 necessary to [ascertain the financial condition or legality of conduct of the  
14 insurer. In the event the insurer fails to comply with the order, the director may  
15 examine such affiliates to obtain such information] **determine compliance**  
16 **with this chapter.**

17 [2.] **3. To determine compliance with this chapter, the director**  
18 **may order any insurer registered under sections 382.100 to 382.180 to**  
19 **produce information not in the possession of the insurer if the insurer**  
20 **can obtain access to such information pursuant to contractual**  
21 **relationships, statutory obligations, or other methods. In the event the**  
22 **insurer cannot obtain the information requested by the director, the**  
23 **insurer shall provide the director a detailed explanation of the reason**  
24 **that the insurer cannot obtain the information and the identity of the**  
25 **holder of the information. Whenever it appears to the director that the**  
26 **detailed explanation is without merit, the director may examine the**  
27 **insurer to determine compliance with this section pursuant to the**  
28 **director's authority under this section and section 374.205.**

29 4. The director may retain at the registered insurer's expense such  
30 attorneys, actuaries, accountants and other experts not otherwise a part of the  
31 director's staff as shall be reasonably necessary to assist in the conduct of the  
32 examination under this section. Any persons so retained shall be under the  
33 direction and control of the director and shall act in a purely advisory capacity.

34 [3.] **5. Each registered insurer producing for examination records, books**  
35 **and papers pursuant to this section shall be liable for and shall pay the expense**  
36 **of such examination in accordance with the provisions of section 374.220.**

37 **6. In the event the insurer fails to comply with an order, the**  
38 **director shall have the power to examine the affiliates to obtain the**  
39 **information. The director shall have the power to issue subpoenas, to**  
40 **administer oaths, and to examine under oath any person for purposes**  
41 **of determining compliance with this section. Upon the failure or**  
42 **refusal of any person to obey a subpoena, the director may petition a**  
43 **court of competent jurisdiction, and upon proper showing, the court**  
44 **may enter an order compelling the witness to appear and testify or**  
45 **produce documentary evidence. Failure to obey the court order shall**  
46 **be punishable as contempt of court. Every person shall be obliged to**  
47 **attend as a witness at the place specified in the subpoena, when**  
48 **subpoenaed, anywhere within the state. He or she shall be entitled to**

49 the same fees and mileage, if claimed, as a witness in section 491.280,  
50 which fees, mileage, and actual expense, if any, necessarily incurred in  
51 securing the attendance of witnesses and their testimony, shall be  
52 itemized and charged against, and be paid by, the company being  
53 examined.

382.225. 1. With respect to any insurer registered under sections  
2 382.100 to 382.180, and in accordance with subsection 3 of this section,  
3 the director shall have the power to participate in a supervisory college  
4 for any domestic insurer that is part of an insurance holding company  
5 system with international operations in order to determine compliance  
6 by the insurer with this chapter. The powers of the director with  
7 respect to supervisory colleges include, but are not limited to, the  
8 following:

- 9 (1) Initiating the establishment of a supervisory college;
- 10 (2) Clarifying the membership and participation of other  
11 supervisors in the supervisory college;
- 12 (3) Clarifying the functions of the supervisory college and the  
13 role of other regulators, including the establishment of a group-wide  
14 supervisor or host, who may be the director;
- 15 (4) Coordinating the ongoing activities of the supervisory  
16 college, including planning meetings, supervisory activities, and  
17 processes for information sharing; and
- 18 (5) Establishing a crisis management plan.

19 2. Each registered insurer subject to this section shall be liable  
20 for and shall pay the reasonable expenses of the director's participation  
21 in a supervisory college in accordance with subsection 3 of this section,  
22 including reasonable travel expenses. For purposes of this section, a  
23 supervisory college may be convened as either a temporary or  
24 permanent forum for communication and cooperation between the  
25 regulators charged with the supervision of the insurer or its affiliates,  
26 and the director may establish a regular assessment to the insurer for  
27 the payment of these expenses.

28 3. In order to assess the business strategy, financial position,  
29 legal and regulatory position, risk exposure, risk management and  
30 governance processes, and as part of the examination of individual  
31 insurers in accordance with section 382.220, the director may  
32 participate in a supervisory college with other regulators charged with

33 supervision of the insurer or its affiliates, including other state,  
34 federal, and international regulatory agencies. The director may enter  
35 into agreements in accordance with subsection 3 of section 382.230  
36 providing the basis for cooperation between the director and the other  
37 regulatory agencies, and the activities of the supervisory  
38 college. Nothing in this section shall delegate to the supervisory  
39 college the authority of the director to regulate or supervise the  
40 insurer or its affiliates within the director's jurisdiction.

382.230. 1. All information, documents and copies thereof obtained by or  
2 disclosed to the director or any other person in the course of an examination or  
3 investigation made pursuant to section 382.220 and all information reported  
4 pursuant to **subdivisions (13) and (14) of subsection 1 of section 382.050**  
5 **and sections 382.100 to 382.210** shall be given confidential treatment and  
6 **privileged, shall not be subject to the provisions of chapter 610**, shall not  
7 be subject to subpoena [and], shall not be made public by the director, the  
8 National Association of Insurance Commissioners, or any other person, except to  
9 the chief insurance regulatory official of other states, **and shall not be subject**  
10 **to discovery or admissible as evidence in any private civil**  
11 **action. However, the director is authorized to use the documents,**  
12 **materials, or other information in the furtherance of any regulatory or**  
13 **legal action brought as a part of the director's official duties. The**  
14 **director shall not otherwise make the documents, materials, or other**  
15 **information public** without the prior written consent of the insurer to which  
16 it pertains unless the director, after giving the insurer and its affiliates who  
17 would be affected thereby, notice and opportunity to be heard, determines that  
18 the interests of policyholders, shareholders or the public will be served by the  
19 publication thereof, in which event [he] **the director** may publish all or any part  
20 thereof in such manner as he may deem appropriate.

21 **2. Neither the director nor any person who received documents,**  
22 **materials, or other information while acting under the authority of the**  
23 **director or with whom such documents, materials, or other information**  
24 **are shared pursuant to sections 382.010 to 382.300 shall be permitted or**  
25 **required to testify in any private civil action concerning any**  
26 **confidential documents, materials, or other information subject to**  
27 **subsection 1 of this section.**

28 **3. In order to assist in the performance of the director's duties,**

29 the director:

30 (1) May share documents, materials, or other information,  
31 including the confidential and privileged documents, materials, or  
32 information subject to subsection 1 of this section, with other state,  
33 federal, and international regulatory agencies, with the National  
34 Association of Insurance Commissioners and its affiliates and  
35 subsidiaries, and with state, federal, and international law enforcement  
36 authorities, including members of any supervisory college described in  
37 section 382.225, provided that the recipient agrees in writing to  
38 maintain the confidentiality and privileged status of the document,  
39 material, or other information and has verified in writing the legal  
40 authority to maintain confidentiality;

41 (2) Notwithstanding subdivision (1) of this subsection, the  
42 director may only share confidential and privileged documents,  
43 material, or information reported pursuant to section 382.175 with  
44 directors of states having statutes or regulations substantially similar  
45 to subsection 1 of this section and who have agreed in writing not to  
46 disclose such information;

47 (3) May receive documents, materials, or other information,  
48 including otherwise confidential and privileged documents, materials,  
49 or information from the National Association of Insurance  
50 Commissioners and its affiliates and subsidiaries and from regulatory  
51 and law enforcement officials of other foreign or domestic jurisdictions,  
52 and shall maintain as confidential or privileged any document,  
53 material, or information received with notice or the understanding that  
54 it is confidential or privileged under the laws of the jurisdiction that  
55 is the source of the document, material, or information; and

56 (4) Shall enter into written agreements with the National  
57 Association of Insurance Commissioners governing sharing and use of  
58 information provided pursuant to sections 382.010 to 382.300 consistent  
59 with this subsection that shall:

60 (a) Specify procedures and protocols regarding the  
61 confidentiality and security of information shared with the National  
62 Association of Insurance Commissioners and its affiliates and  
63 subsidiaries pursuant to sections 382.010 to 382.300, including  
64 procedures and protocols for sharing by the National Association of  
65 Insurance Commissioners with other state, federal, or international

66 regulators;

67 (b) Specify that ownership of information shared with the  
68 National Association of Insurance Commissioners and its affiliates and  
69 subsidiaries pursuant to sections 382.010 to 382.300 remains with the  
70 director and the National Association of Insurance Commissioners' use  
71 of the information is subject to the direction of the director;

72 (c) Require prompt notice to be given to an insurer whose  
73 confidential information in the possession of the National Association  
74 of Insurance Commissioners pursuant to sections 382.010 to 382.300 is  
75 subject to a request or subpoena to the National Association of  
76 Insurance Commissioners for disclosure or production; and

77 (d) Require the National Association of Insurance Commissioners  
78 and its affiliates and subsidiaries to consent to intervention by an  
79 insurer in any judicial or administrative action in which the National  
80 Association of Insurance Commissioners and its affiliates and  
81 subsidiaries may be required to disclose confidential information about  
82 the insurer shared with the National Association of Insurance  
83 Commissioners and its affiliates and subsidiaries pursuant to sections  
84 382.010 to 382.300.

85 4. The sharing of information by the director pursuant to  
86 sections 382.010 to 382.300 shall not constitute a delegation of  
87 regulatory authority or rulemaking, and the director is solely  
88 responsible for the administration, execution, and enforcement of the  
89 provisions of sections 382.010 to 382.300.

90 5. No waiver of any applicable privilege or claim of  
91 confidentiality in the documents, materials, or other information shall  
92 occur as a result of disclosure to the director under this section or as  
93 a result of sharing as authorized in subsection 3 of this section.

94 6. Documents, materials, or other information in the possession  
95 or control of the National Association of Insurance Commissioners  
96 pursuant to sections 382.010 to 382.300 shall be confidential by law and  
97 privileged, shall not be a public record under chapter 610, shall not be  
98 subject to subpoena, and shall not be subject to discovery or admissible  
99 in evidence in any private civil action.

382.277. Whenever it appears to the director that any person has  
2 committed a violation of any provision of sections 382.040 to 382.090  
3 and the violation prevents the full understanding of the enterprise risk

4 to the insurer by affiliates or by the insurance holding company system,  
5 the violation may serve as an independent basis for disapproving  
6 dividends or distributions and for placing the insurer under an order  
7 of supervision in accordance with section 375.1160.

382.500. 1. The provisions of sections 382.500 to 382.550 shall  
2 apply to all insurers domiciled in this state that are not exempt under  
3 section 382.525.

4 2. The general assembly finds and declares that an own risk and  
5 solvency assessment (ORSA) summary report contains confidential and  
6 sensitive information related to an insurer or insurance group's  
7 identification of risks material and relevant to the insurer or insurance  
8 group filing such report. Such information includes proprietary and  
9 trade secret information that has the potential for harm and  
10 competitive disadvantage to the insurer or insurance group if such  
11 information is made public. An ORSA summary report shall be a  
12 confidential document filed with the director, shall be shared only as  
13 stated in sections 382.500 to 382.550 to assist the director in the  
14 performance of the director's duties, and shall not be subject to public  
15 disclosure.

382.505. As used in sections 382.500 to 382.550, the following  
2 terms shall mean:

3 (1) "Director", the director of the department of insurance,  
4 financial institutions and professional registration;

5 (2) "Insurance group", those insurers and affiliates included  
6 within an insurance holding company system as defined in sections  
7 382.010 to 382.300;

8 (3) "Insurer", the same meaning as such term is defined in section  
9 382.010; except that, insurer shall not include agencies, authorities, or  
10 instrumentalities of the United States, its possessions and territories,  
11 the Commonwealth of Puerto Rico, the District of Columbia, or a state  
12 or political subdivision of a state;

13 (4) "NAIC", the National Association of Insurance Commissioners;

14 (5) "Own risk and solvency assessment" or "ORSA", a confidential  
15 internal assessment appropriate to the nature, scale, and complexity of  
16 an insurer or insurance group conducted by such insurer or insurance  
17 group of the material and relevant risks associated with the insurer's  
18 or insurance group's current business plan, and the sufficiency of

19 capital resources to support such risks;

20 (6) "ORSA guidance manual", the current version of the Own Risk  
21 and Solvency Assessment Guidance Manual developed and adopted by  
22 the National Association of Insurance Commissioners (NAIC), as  
23 amended. A change in the ORSA guidance manual shall be effective on  
24 January first following the calendar year in which the changes have  
25 been adopted by the NAIC;

26 (7) "ORSA summary report", a confidential high-level summary  
27 of an insurer's or insurance group's own risk and solvency assessment.

382.510. An insurer shall maintain a risk management framework  
2 to assist the insurer with identifying, assessing, monitoring, managing,  
3 and reporting on its material and relevant risks. Such requirement  
4 may be satisfied if the insurance group of which the insurer is a  
5 member maintains a risk management framework applicable to the  
6 operations of the insurer.

382.515. Subject to the provisions of section 382.525, an insurer  
2 or the insurance group of which the insurer is a member shall conduct  
3 an ORSA consistent with a process comparable to the ORSA guidance  
4 manual. An ORSA shall be conducted no less than annually and  
5 additionally at any time when there are significant changes to the risk  
6 profile of the insurer or the insurance group of which the insurer is a  
7 member, as determined by the insurer or the insurance group.

382.520. 1. Upon the director's request and no more than once  
2 each year, an insurer shall submit to the director an ORSA summary  
3 report or any combination of reports that together contain the  
4 information described in the ORSA guidance manual applicable to the  
5 insurer and to the insurance group of which the insurer is a  
6 member. Notwithstanding any request from the director, if the insurer  
7 is a member of an insurance group, the insurer shall submit the report  
8 or reports required under this subsection if the director is the lead  
9 state regulator of the insurance group as determined by the procedures  
10 within the Financial Analysis Handbook adopted by the National  
11 Association of Insurance Commissioners.

12 2. The report or reports shall include a signature of the insurer's  
13 or insurance group's chief risk officer or other executive having  
14 responsibility for the oversight of the insurer's enterprise risk  
15 management process attesting to the best of his or her belief and

16 knowledge that the insurer applies the enterprise risk management  
17 process described in the ORSA summary report and that a copy of the  
18 report has been provided to the insurer's board of directors or the  
19 appropriate committee thereof.

20 3. An insurer may comply with subsection 1 of this section by  
21 providing the most recent and substantially similar report or reports  
22 provided by the insurer or another member of an insurance group of  
23 which the insurer is a member to the director of another state or to a  
24 supervisor or regulator of a foreign jurisdiction if such report or  
25 reports provide information that is comparable to the information  
26 described in the ORSA guidance manual. Any such report or reports in  
27 a language other than English shall be accompanied by a translation of  
28 such report or reports into the English language.

382.525. 1. An insurer shall be exempt from the requirements of  
2 sections 382.500 to 382.550 if:

3 (1) The insurer has annual direct written and unaffiliated  
4 assumed premium, including international direct and assumed  
5 premium but excluding premiums reinsured with the Federal Crop  
6 Insurance Corporation and Federal Flood Program, of less than five  
7 hundred million dollars; and

8 (2) The insurance group of which the insurer is a member has  
9 annual direct written and unaffiliated assumed premium, including  
10 international direct and assumed premium but excluding premiums  
11 reinsured with the Federal Crop Insurance Corporation and the  
12 Federal Flood Program, of less than one billion dollars.

13 2. If an insurer qualifies for exemption under subdivision (1) of  
14 subsection 1 of this section, but the insurance group of which the  
15 insurer is a member does not qualify for exemption under subdivision  
16 (2) of subsection 1 of this section, the ORSA summary report that may  
17 be required under section 382.520 shall include every insurer within  
18 the insurance group. Such requirement may be satisfied by the  
19 submission of more than one ORSA summary report for any  
20 combination of insurers, provided any combination of reports includes  
21 every insurer within the insurance group.

22 3. If an insurer does not qualify for exemption under subdivision  
23 (1) of subsection 1 of this section, but the insurance group of which the  
24 insurer is a member qualifies for exemption under subdivision (2) of

25 subsection 1 of this section, the only ORSA summary report that may  
26 be required under section 382.520 is the report applicable to such  
27 insurer.

28 4. An insurer that does not qualify for exemption under  
29 subsection 1 of this section may apply to the director for a waiver from  
30 the requirements of sections 382.500 to 382.550 based upon unique  
31 circumstances. In deciding whether to grant the insurer's request for  
32 waiver, the director may consider the type and volume of business  
33 written, ownership and organizational structure, and any other factor  
34 the director considers relevant to the insurer or insurance group of  
35 which the insurer is a member. If the insurer is part of an insurance  
36 group with insurers domiciled in more than one state, the director shall  
37 coordinate with the lead state director or regulator and with the other  
38 domiciliary state directors or regulators in considering whether to  
39 grant the insurer's request for a waiver.

40 5. Notwithstanding the exemptions in this section, the director  
41 may require that an insurer maintain a risk management framework,  
42 conduct an ORSA, and file an ORSA summary report:

43 (1) Based on unique circumstances, including but not limited to  
44 the type and volume of business written, ownership and organization  
45 structure, federal agency requests, and international supervisor  
46 requests;

47 (2) If the insurer has risk-based capital for company action level  
48 event as set forth in section 375.1255 or other applicable risk-based  
49 capital law, meets one or more of the standards of an insurer deemed  
50 to be in hazardous financial condition as defined in section 375.539, or  
51 otherwise exhibits qualities of a troubled insurer as determined by the  
52 director.

53 6. If an insurer that qualifies for an exemption under subsection  
54 1 of this section subsequently no longer qualifies for such exemption  
55 due to changes in premium as reflected in the insurer's most recent  
56 annual statement or in the most recent annual statements of the  
57 insurers within the insurance group of which the insurer is a member,  
58 the insurer shall have one year following the year in which the  
59 threshold is exceeded to comply with the requirements of sections  
60 382.500 to 382.550.

382.530. 1. An ORSA summary report shall be prepared

2 consistent with the ORSA guidance manual, subject to the requirements  
3 of subsection 2 of this section. Documentation and supporting  
4 information shall be maintained and made available upon examination  
5 or upon request of the director.

6       2. The review of an ORSA summary report and any additional  
7 requests for information shall be made using similar procedures  
8 currently used in the analysis and examination of multistate or global  
9 insurers and insurance groups.

382.535. 1. Documents, materials, or other information, including  
2 the ORSA summary report, in the possession of or control of the  
3 department of insurance, financial institutions and professional  
4 registration that are obtained by, created by, or disclosed to the  
5 director or any other person under sections 382.500 to 382.550 is  
6 recognized by this state as being proprietary and to contain trade  
7 secrets. All such documents, materials, or other information shall be  
8 confidential by law and privileged, shall not be subject to disclosure  
9 under chapter 610, shall not be subject to subpoena, and shall not be  
10 subject to discovery or admissible in evidence in any private civil  
11 action; except that, the director is authorized to use such documents,  
12 materials, or other information in the furtherance of any regulatory or  
13 legal action brought as a part of the director's official duties. The  
14 director shall not otherwise make such documents, materials, or other  
15 information public without the prior written consent of the insurer.

16       2. Neither the director nor any person who receives documents,  
17 materials, or other ORSA-related information, through examination or  
18 otherwise, while acting under the authority of the director or with  
19 whom such documents, materials, or other ORSA-related information  
20 are shared under sections 382.500 to 382.550 shall be permitted or  
21 required to testify in any private civil action concerning any  
22 confidential documents, materials, or other ORSA-related information  
23 subject to subsection 1 of this section.

24       3. In order to assist in the performance of the director's  
25 regulatory duties, the director:

26       (1) May, upon request, share documents, materials, or other  
27 ORSA-related information, including the confidential and privileged  
28 documents, materials, or other ORSA-related information subject to  
29 subsection 1 of this section, including proprietary and trade secret

30 documents and materials with other state, federal, and international  
31 financial regulatory agencies, including members of any supervisory  
32 college authorized under this chapter, with the NAIC, and with any  
33 third-party consultants designated by the director; provided that, the  
34 recipient agrees in writing prior to receiving any such documents,  
35 materials, or other ORSA-related information to maintain the  
36 confidentiality and privileged status of such documents, materials, or  
37 other ORSA-related information and has verified in writing the legal  
38 authority to maintain confidentiality; and

39 (2) May receive documents, materials, or other ORSA-related  
40 information, including otherwise confidential and privileged  
41 documents, materials, or information, including proprietary and trade  
42 secret information or documents, from regulatory officials of other  
43 foreign or domestic jurisdictions, including members of any  
44 supervisory college authorized under this chapter, and from the NAIC,  
45 and shall maintain as confidential or privileged any documents,  
46 materials, or other ORSA-related information received with notice or  
47 the understanding that it is confidential or privileged under the laws  
48 of the jurisdiction that is the source of the document, material, or other  
49 ORSA-related information; and

50 (3) Shall enter into a written agreement with the NAIC or a  
51 third-party consultant governing sharing and use of ORSA-related  
52 information provided under sections 382.500 to 382.550 that is  
53 consistent with this subsection and that shall:

54 (a) Specify procedures and protocols regarding the  
55 confidentiality and security of information shared with the NAIC or a  
56 third-party consultant under sections 382.500 to 382.550, including  
57 procedures and protocols for sharing by the NAIC with other state  
58 regulators from states in which the insurance group has domiciled  
59 insurers. The agreement shall provide that the recipient agrees in  
60 writing to maintain the confidentiality and privileged status of ORSA-  
61 related documents, materials, or other ORSA-related information and  
62 has verified in writing the legal authority to maintain confidentiality;

63 (b) Specify that ownership of information shared with the NAIC  
64 or third-party consultant under sections 382.500 to 382.550 remains  
65 with the director and that the NAIC's or a third-party consultant's use  
66 of such information is subject to the direction of the director;

67           **(c) Prohibit the NAIC or third-party consultant from storing any**  
68 **information shared under sections 382.500 to 382.550 in a permanent**  
69 **database after the underlying analysis is completed;**

70           **(d) Require prompt notice to be given to an insurer whose**  
71 **confidential information in the possession of the NAIC or a third-party**  
72 **consultant under sections 382.500 to 382.550 is subject to a request or**  
73 **subpoena to the NAIC or a third-party consultant for disclosure or**  
74 **production;**

75           **(e) Require the NAIC or a third-party consultant to consent to**  
76 **intervention by an insurer in any judicial or administrative action in**  
77 **which the NAIC or a third-party consultant may be required to disclose**  
78 **confidential information about the insurer shared with the NAIC or a**  
79 **third-party consultant under sections 382.500 to 382.550; and**

80           **(f) In the case of an agreement involving a third-party**  
81 **consultant, provide for the insurer's written consent.**

82           **4. The sharing of information and documents by the director**  
83 **under sections 382.500 to 382.550 shall not constitute a delegation of**  
84 **regulatory or rulemaking authority, and the director is solely**  
85 **responsible for the administration, execution, and enforcement of the**  
86 **provisions of sections 382.500 to 382.550.**

87           **5. No waiver of any applicable privilege or claim of**  
88 **confidentiality in the documents, proprietary and trade secret**  
89 **materials, or other ORSA-related information shall occur as a result of**  
90 **disclosure of such documents, materials, or ORSA-related information**  
91 **to the director under this section or as a result of sharing as authorized**  
92 **in sections 382.500 to 382.550.**

93           **6. Documents, materials, or other ORSA-related information in**  
94 **the possession or control of the NAIC or third-party consultants under**  
95 **sections 382.500 to 382.550 shall be confidential by law and privileged,**  
96 **shall not be subject to disclosure under chapter 610, shall not be**  
97 **subject to subpoena, and shall not be subject to discovery or admissible**  
98 **in evidence in any private civil action.**

**382.540. 1. Subject to subsection 1 of section 374.215, any insurer**  
2 **failing without just cause to timely file an ORSA summary report as**  
3 **required in sections 382.500 to 382.550 commits a level two violation**  
4 **under section 374.049 with respect to each day's delay.**

5           **2. The director may enforce the provisions of sections 382.500 to**

6 **382.550 under sections 374.046 to 374.049.**

2 **382.545. If any provision of sections 382.500 to 382.550 or the**  
3 **application thereof to any person or circumstance is held invalid, such**  
4 **determination shall not affect the provisions or applications of sections**  
5 **382.500 to 382.550 which may be given effect without the invalid**  
6 **provision or application, and to that end the provisions of sections**  
7 **382.500 to 382.550 are severable.**

2 **382.550. Sections 382.500 to 382.550 shall become effective**  
3 **January 1, 2015. The first filing of ORSA summary reports shall be in**  
4 **2015 in accordance with section 382.520.**

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